

United States Senate

WASHINGTON, DC 20510

January 5, 2009

United States Environmental Protection Agency
Mr. Stephen L. Johnson, Administrator
Ariel Rios Federal Building
1200 Pennsylvania Avenue, NW
Washington, D.C. 20460

Dear Administrator Johnson:

We are writing to ask your assistance in providing a waiver of the volume cap for small refiner non-road locomotive and marine (NRLM) and heating fuels for the North Pole Refinery owned and operated by Petro Star Inc.

As you may know, the Petro Star Valdez Refinery ("PSVR") experienced a severe fire on December 28, 2008. As a result the refinery is shut down and will remain so until a full investigation is complete, and Petro Star is able to rebuild lost infrastructure. This loss in Alaska instate fuel production warrants the issuance of a waiver to ensure that statewide fuel requirements are satisfied in 2009.

We believe that such a waiver is appropriate and vital to both Petro Star's and Alaska's well being. Prior to the fire, Petro Star was trucking approximately 1,000 barrels per day of NRLM and heating oil from Valdez to interior Alaska, in order to maintain compliance with the North Pole refinery's volume cap while still meeting this region's fuel demands. Over the last several days interior Alaska has experienced extremely cold temperatures of -40oF and temperatures are expected to dip even further as winter continues.

Allowing the North Pole Refinery to access the PSVR cap would allow Petro Star, Inc. to supply its refined fuels to Interior and Southcentral Alaska homeowners and businesses in the most efficient manner possible, thus minimizing the potential for added consumer costs. It would not result in increased Petro Star, Inc. production and it would not result in any increase in the production or use of NRLM and heating oil. It would straightforwardly allow the North Pole refinery's 45 million gallons per year cap to be increased by an amount not to exceed the Valdez cap. If the EPA fails to grant a waiver allowing the North Pole

refinery to meet the demand met by Valdez prior to the fire, the North Pole facility's NRLM and distillate fuels volume cap will be reached in mid-March. This will leave Petro Star with zero ability to produce NRLM, heating, and other distillate fuels consumed in Alaska with well over a month of winter remaining, and more than three months before the start of a new volume cap period (July 1st to June 30th).

A "pooling waiver" would not contribute to an increase in atmospheric pollution; no more NRLM and distillates fuels would be produced than would have been absent the fire and absent any action by EPA. This end result would be analogous to the purchase of sulfur credits for the North Pole refinery except that it would not entail burdening Petro Star with additional costs while it is struggling to rebuild after the fire and to install the capacity at Valdez to produce ultralow sulfur diesel fuels. In light of the circumstances, we believe that the needless imposition of such additional costs would be unfair and could only lead to two consequences, each of which would be bad policy. If Petro Star were able to pass on the cost of sulfur credits to its customers, Alaskans, who already pay the highest fuel prices in the nation, would suffer. If Petro Star were unable to do so, it would itself incur additional expense at a time when it can least afford to. This situation seems to us to be an outstanding example of why the agency has waiver authority.

As winter continues, Petro Star will need the flexibility afforded by the waiver to provide necessary fuel to keep our residents safe and warm. Thank you for your immediate attention to our request. If you have any question please feel free to call us.

Sincerely,
The Alaska Congressional Delegation


Sen. Lisa Murkowski


Senator-Elect Mark Begich


Congressman Don Young

Cc: Mr. Chris McKenna, U.S. Environmental Protection Agency;
mckenna.chris@epa.gov
Mr. Erv Pickell, U.S. Environmental Protection Agency; pickell.erv@epa.gov